

Message Text

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C O N F I D E N T I A L RABAT 0040

DEPT PLEASE PASS STOWASSER, BUREAU OF MINES, DEPT OF INTERIOR

E.O. 11652: GDS

TAGS: PFOR EMIN ETRD MO

SUBJECT: PHOSPHATES STATUS REPORT

REF: A. STATE 000537

B. ALGIERS 05

C. RABAT 5999 (NOTAL)

D. RABAT 5732

1. SUMMARY: CURRENT MOROCCAN PHOSPHATES POLICY RE TERMS AND CONDITIONS FOR INTEGRATING BU CRAA PRODUCTION INTO PRESENT MARKETING STRATEGY AS WELL AS VALIDITY OF CURRENT SALES AND PRICING POLICIES THEMSELVES WERE UNDER INTENSIVE REVIEW AT YEAR-END 1975. BU CRAA DECISIONS--PARTICULARLY AS RESPECTS POSSIBILITY FOREIGN (NON-SPANISH) PARTICIPATION IN PRODUCTION/PROCESSING--CLEARLY OF POLITICAL SIGNIFICANCE AS LONG AS CONFRONTATION WITH ALGERIA OVER SAHARA CONTINUES. DECISIONS ALSO OF COMMERCIAL IMPORTANCE TO US AS PRODUCER AND REST OF WORLD AS CONSUMER INsofar AS MOROCCO NOW IN STRIKING DISTANCE OF ACHIEVING LONG-TERM GOAL OF EFFECTIVELY ORGANIZING (QUASI-MONOPOLIZING) NON-US/NON-SOVIET PHOSPHATE ROCK PRODUCTION AND SALES. END SUMMARY.

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2. RABAT UNABLE TO COMMENT ON ACCURACY OF PYRESA REPORT

ON ACTIVITY OF "ROCKEFELLER GROUP" RE BU CRAA. AS PREVIOUSLY REPORTED, HOWEVER, MOROCCAN PHOSPHATE OFFICE (OCP) HAS RETAINED SERVICES OF BADGER CO. AND ARTHUR D. LITTLE TO PROJECT 20-YEAR WORLD PHOSPHATE DEMAND PICTURE AS BASIS FOR RECASTING LONG-TERM MARKETING STRATEGY. OCP DIRECTOR HAS ALSO BEEN ACTIVE IN TRYING TO INVOLVE US PHOSPHATE INDUSTRY IN WORK OF PARIS-BASED PHOSPHATE INSTITUTE (OF WHICH LAMRANI IS ALSO DIRECTOR). EMBASSY BELIEVES INVOLVEMENT BY US INDUSTRY IN MOROCCAN PHOSPHATE PROCESSING (IF NOT PRODUCTION, WHICH REMAINS STATE MONOPOLY) WOULD BE MOST EFFECTIVE POSSIBLE FORM OF DEVELOPMENT AID TO COUNTRY WHICH IS AMONG DOZEN OR SO NON-OIL LDC'S POSITIONED TO ACHIEVE SELF-SUSTAINED GROWTH WITHIN NEXT DECADE. BUT AS REPORTED RABAT 5732, IT REMAINS UNCLEAR WHETHER NON-OCP PARTICIPATION (OTHER THAN 35 PER CENT IN HOLDING IN BU CRAA) WILL BE PERMITTED IN SAHARA. OCP CONTACTS WHO HAVE IN PAST BEEN HIGHLY CANDID ARE RELUCTANT TO COMMENT, WHICH LEADS US TO CONCLUDE POLICY REMAINS FLUID AND POLITICAL LEVEL WILL BE INVOLVED IN FINAL DECISIONS.

3. RE US BUREAU OF MINES QUERY RE FURTHER PHOSPHATE ROCK PRICE DECREASES, WE HAVE HEARD REPORTS WHICH WE BELIEVE TO BE ACCURATE AND WHICH, PIECED TOGETHER, SUGGEST THAT OCP HAS BEEN SOUNDING REACTIONS OF EUROPEAN USERS TO SPLIT-PRICE FORMULA UNDER WHICH LOWER PRICES WOULD BE QUOTED FOR ROCK PROCESSED FOR DOMESTIC CONSUMPTION (E.G. WITHIN FRANCE, GERMANY, POLAND, ETC.). THIS HALF-WAY SOLUTION FITS IN WITH SOPHISTICATED OCP APPROACH TO PRICING, PAINFULLY REDUCED 1975 OCP DETERMINATION TO CUT PRICES ONLY AS LAST RESORT. OUR UNDERSTANDING IS THAT EUROPEAN USERS RELUCTANT TO ACCEPT TWO-TIER APPROACH, PREFERRING MID-RANGE ACROSS-THE-BOARD CUT.

4. WOULD BE REASONABLE TO EXPECT DECISION TO HAVE BEEN TAKEN JUST PRIOR TO YEAR-END SO FIRST QUARTER PRICE SCHEDULES COULD BE TELEGRAPHED CUSTOMERS. BUT OCP OFFICIALS AGAIN EXTREMELY CLOSE-MOUTHED. IF FORCED, EMBASSY WOULD GUESS MID-RANGE SOLUTION HAS BEEN ADOPTED WITH AVERAGE CUT TO PERHAPS \$50-\$54 LEVEL. REPEAT, THIS REMAINS PURE GUESS, BASED ON OUR OVERALL ASSESSMENT OF MARKET, DOMESTIC ECONOMIC SITUATION, AND TRYING TO PUT OURSELVES IN LAMRANI'S SHOES. MAY BE WORTH NOTING IN THIS REGARD THAT OUR PROJECTION OF

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\$750 MILLION GROSS EARNINGS FIGURE FOR 1975 OCP PRODUCTION (CF. \$1.2 BILLION IN 1974) WAS ON MARK. WILL BE REPORTING SHORTLY FINMIN YEAR-END BUDGET MESSAGE CONFIRMING DH 3 BILLION (\$750 MILLION) 1974 OCP FIGURE.
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